

# BRISBANE

## INDUSTRIAL VACANCY FEBRUARY 2017

### Key Facts

Total vacant space has **increased by 4.9%** over the past quarter to **743,558m<sup>2</sup>**

Much of this increase was attributable to a **rise in secondary vacancy of 7.7%**; now accounting for **53% of total vacancy**

Total **speculative space** available **decreased** to 96,116m<sup>2</sup> with absorption of 19,882m<sup>2</sup> and minimal new starts

**Take-up remained at above average levels in Q4** at 90,394m<sup>2</sup>, relatively evenly split between prime and secondary.



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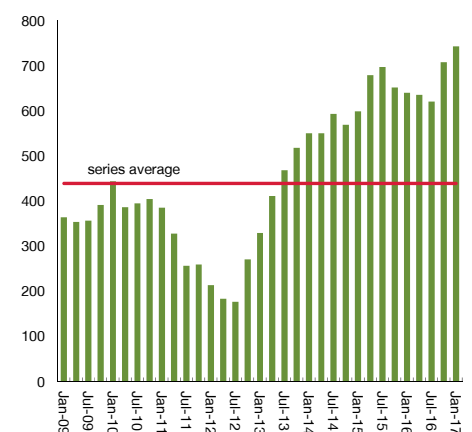
Despite take-up remaining at above average levels the industrial vacancy reached a new series high. Positive signs in the market are emerging from a broadening tenant enquiry base and increased tenant mobility.

The Brisbane industrial vacancy increased over the final quarter of 2016 to record 743,558m<sup>2</sup> as at January 2017. Despite take-up at above average levels, the higher additions to vacancy of 110,504m<sup>2</sup> resulted in the total vacancy increasing by 4.9% over the quarter, resulting in another series high for the Brisbane market. This increase was predominantly driven by vacancy in the secondary market which grew by 7.7% to 390,925m<sup>2</sup>, while the prime market only increased by 2.0% over the same period.

This increase in secondary vacancy has resulted in secondary properties accounting for 53% of the total available space, with prime reducing to 47% of the market (down from 49% in the past quarter). Backfill space has continued to be a trigger for additional vacancy (ie National Tiles), however corporate activity in the form of the Masters closure and Wesfarmers consolidation have also created available space.

Completed speculative space accounts for 5.0% (37,090m<sup>2</sup>) of total vacancy with speculative space under construction accounting for 7.9% (59,026m<sup>2</sup>) with only minor construction starts this quarter.

FIGURE 1  
**Brisbane Industrial Market**  
'000m<sup>2</sup> available space



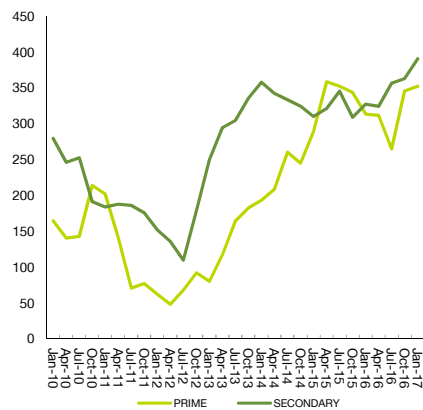
Source: Knight Frank Research

## Quality of Stock

Prime vacancy increased slightly over the past quarter but remained below the series high levels of early 2015. Prime space take-up was solid but this was just outweighed by new additions to the list. Time on the market for prime space has plateaued over the past quarter to be 14.3 months (median of 12 months).

The amount of available secondary space also increased, up by 7.7% to 390,925m<sup>2</sup> with new additions to the list of 62,699m<sup>2</sup> outweighing the relatively strong take-up of 42,024m<sup>2</sup>. The average time on the market for secondary stock has decreased over the past quarter as activity picks up in the sector, falling from 18.7 months to 16.9 months (median 12 months). The gap between prime and secondary vacancy has begun to re-widen over past quarters.

FIGURE 2  
January 2017 Available Space  
'000m<sup>2</sup> prime versus secondary space



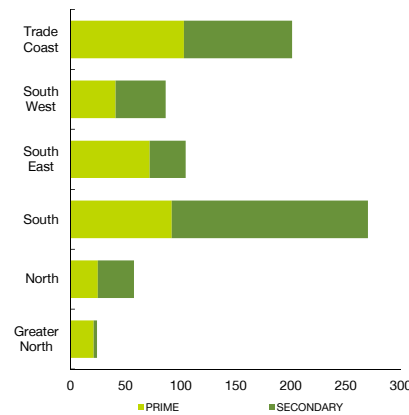
Source: Knight Frank Research

## Distribution by Precinct

All precincts, except for the North, recorded increases to available space over the past quarter, although for the majority the increase was not significant. The TradeCoast (up 3% to 201,090m<sup>2</sup>), Greater North (up 15% to 24,026m<sup>2</sup>), South (up 5% to 270,006m<sup>2</sup>), South West (up 4% to 86,396m<sup>2</sup>) and South East (up 11% to 104,490m<sup>2</sup>) all increased over the quarter. The North recorded a decrease of -3.4% to 57,550m<sup>2</sup>.

The TradeCoast, South West and North are evenly balanced between prime and secondary space. In contrast, the South East and Greater North are dominated by prime, while the South remains skewed towards secondary availability with prime space in the region quickly absorbed.

FIGURE 3  
January 2017 Available Space  
'000m<sup>2</sup> by quality & precinct



Source: Knight Frank Research

## Size & Type of Stock

As shown in Figure 4, there are 30 buildings available which are larger than 8,000m<sup>2</sup>, of which eight are above 15,000m<sup>2</sup>. There is equal availability of prime versus secondary space in the larger buildings with 15 prime vacancies and 15 secondary vacancies larger than 8,000m<sup>2</sup>. The average size of vacancies was 6,995m<sup>2</sup> as at January 2017, only a slight increase over the previous quarter but 3.7% higher than a year ago, as more larger options are available.

Warehouse space dominates the market and this is reflected in available stock, which is 84% warehouse with the remaining 16% manufacturing space. The precincts with a significant manufacturing proportion are the South West (25%), TradeCoast (21%) and North (19%). While there has been steady take-up of manufacturing space (c10,000m<sup>2</sup> in the past quarter) and only one manufacturing vacancy added to the list in the final quarter of 2016, manufacturing stock remains more difficult to lease, having an average time on the market of 22 months.

Speculative stock available in the Brisbane market totals 96,116m<sup>2</sup>, lower over the past quarter as new starts were outweighed by take-up. There is now 37,090m<sup>2</sup> of completed vacant speculative space with a further 59,026m<sup>2</sup> of uncommitted speculative stock under construction. There were two smaller additions to speculative space in the past quarter—34 Alloy St, Yatala (3,338m<sup>2</sup>) and 59 Kingsbury St, Brendale (3,240m<sup>2</sup>) as smaller scale development is accelerating to cater for demand from smaller businesses.

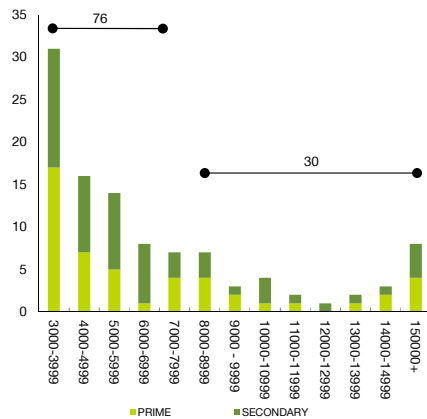
TABLE 1  
Brisbane Industrial Available Space 3,000m<sup>2</sup>+ as at January 2017

Precinct	Available Space m <sup>2</sup>	No. of Buildings	Av Asking Rent \$/m <sup>2</sup> net	Change Past Qtr (m <sup>2</sup> )	Change Past Year (m <sup>2</sup> )	Building Quality	
						Prime %	Secondary %
TradeCoast	201,090	25	111	5,970	63,863	51	49
North	57,550	10	116	-2,000	7,879	43	57
Greater North	24,026	6	112	3,191	-4,651	87	13
South	270,006	36	98	14,163	20,657	34	66
South West	86,396	11	106	3,359	-9,115	47	53
South East	104,490	18	110	10,107	23,929	69	31
<b>Total</b>	<b>743,558</b>	<b>106</b>	<b>106</b>	<b>34,790</b>	<b>102,562</b>	<b>47</b>	<b>53</b>

Source: Knight Frank Research



FIGURE 4  
**January 2017 Available Space**  
No of buildings by size and quality



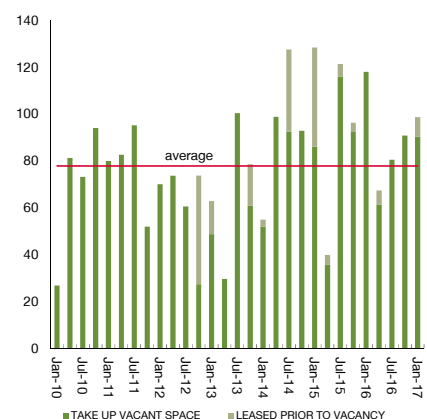
Source: Knight Frank Research

## Building Take-up

Take-up, excluding D&C, was at above average levels in Q4 2016, representing three consecutive quarters of above average absorption. Take-up was 90,394m² from 18 properties with the majority of leases in smaller or mid-sized properties ie Santa Fe Wridgeways (5,288m²) and Neumann Steel (3,000m²). The South dominated take-up, followed by the TradeCoast, which are also the precincts with the greatest vacancy.

The properties absorbed had been available for an average of 17.8 months (median 12), made up of 12.7 months for prime and 21.9 months for secondary

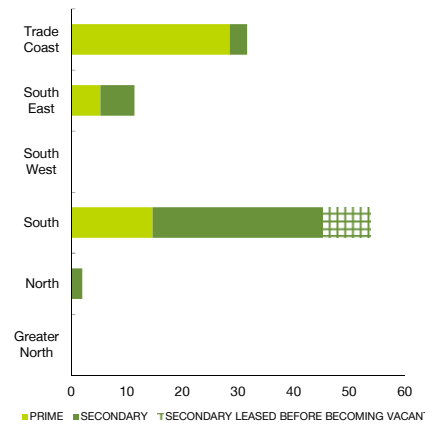
FIGURE 5  
**Brisbane Industrial Take-up**  
'000m² Est Take-up buildings (excl D&C)



Source: Knight Frank Research

space. While five of the properties were leased quite quickly (within six months) the average was boosted by a number of properties on the market for two years or more. While prime space had the greatest take-up with 54% of the space leased, secondary at 46% (42,024m²) had its highest result in more than a year. The largest take-up was at Export Motorway Estate, Lytton where speculative space of 10,482m² was taken by MRC and Direct Group and at 39 Kerry Rd, Archerfield where RCR Laser took-up 9,441m² of space.

FIGURE 6  
**Take-up 3 months to January 2017**  
'000m² est Take-up buildings (excl D&C)



Source: Knight Frank Research

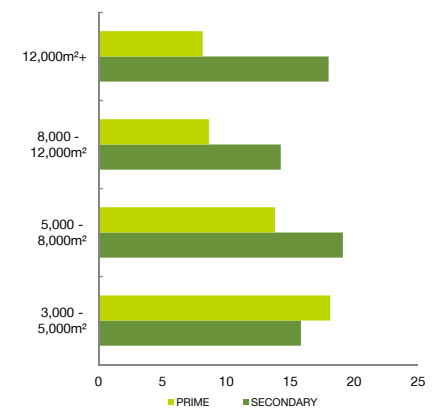
## Outlook

Despite the increase to the total vacancy level, there are encouraging signs in the industrial market. Take-up has been at above average levels for the past three quarters and increasingly there is more demand in the 5,000m² - 8,000m² size range, accounting for eight of the 18 leases, whereas previously demand in this size range had been relatively slow. Take-up within the prime market is expected to continue to outweigh activity for secondary stock with the potential for tenants to upgrade their accommodation to remain one of the major driving forces for relocation during 2017.

Time on the market for total properties available has decreased, due to a reduction in the average time available for secondary assets, with the overall average decreasing to 15.7 months from 16.3 months in the previous quarter. This

“The potential for tenants to upgrade their accommodation to remain one of the major driving forces for relocation during 2017”

FIGURE 7  
**Brisbane Industrial Time on Market**  
Av months by size bracket and grade—Jan 2017



Source: Knight Frank Research

remains weighted by longer vacancies with the median time on the market now sitting at 12 months for both prime and secondary grades. Overall the average time available for prime stock is 14.3 months compared with secondary at an average of 16.9 months. As shown in Figure 7, the larger prime buildings continue to have the lowest average time on the market.

Despite the recent increases to the total vacancy, there remains a healthy pipeline of industrial space requirements in the market, and while newly built speculative accommodation or pre-commitment stock is still well placed to absorb the majority of these larger requirements, this continues to promote activity and liquidity within the market.



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#### Methodology:

This analysis collects and tabulates data detailing vacancies within industrial properties across all of the Brisbane Industrial Property Market. The analysis only includes building vacancies which meet the following criteria. 1. The sample data includes buildings with a minimum floor area of 3,000m<sup>2</sup>. 2. Buildings are categorized into the below three types of leasing options. A) Existing Buildings – existing buildings for lease. B) Speculative Buildings – buildings for lease which have been speculatively constructed and although have reached practical completion, still remain vacant. C) Spec. Under Construction – buildings for lease which are being speculatively constructed and will be available for occupation within 12 months.

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